

EXPERT SYSTEM AT AIM INVESTOR DAY

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AGENDA



- ☑ BUSINESS & TECHNICAL HIGHLIGHTS
- ☑ HY 2018 CONSOLIDATED RESULTS
- ☑ FINANCIAL HIGHLIGHTS & STRATEGIC GUIDELINES 2018 – 2019

ABOUT US

GOVERNANCE

- ✓ Code of ethics
- ✓ Organizational Model Pursuant to Legislative Decree No. 231/2001
- ✓ Independent directors and board diversity
- ✓ Smart working
- ✓ Health insurance
- ✓ Performance bonus
- ✓ International job rotation opportunities
- ✓ Internal training programs
- ✓ Flexible maternity leave
- ✓ Human capital development
- ✓ Privacy and data security
- ✓ Responsible investment
- ✓ Tax transparency

1. LONGEST HISTORY IN IMPLEMENTING AI SOLUTIONS

- ✓ 20 years of experience, more than **300** successful projects
- ✓ 20 years of R&D investments to create **Cogito**, best in class cognitive AI platform for text understanding

2. INTERNATIONAL COMPANY

- ✓ Branches in US, UK, France, Germany, Spain and Italy
- ✓ Global company with local technical and sales teams to be close to our customers the same language and culture



230 EMPLOYEES

HY 2018 TECH AND BUSINESS HIGHLIGHTS

New products for the insurance market (**Cogito for Claims, Cogito for Underwriting**)

New version of **Cogito Intelligence Platform**

Strong focus on **components** for **specific industries** and **use cases**

Richer and deeper **coverage of languages**

Key strategic wins in **Process Automation** and **Information Intelligence** scenarios fully leveraging **Cogito** depth and richness.

Additions of **new partnerships** and **customers**

LATEST NEWS: FOCUS ON CUSTOMERS

- ① **Rabobank** Establishes a Partnership with Expert System for Cognitive Artificial Intelligence (Nov 8)
- ① Turning a Billion Articles into Insights with AI at **Dow Jones** (Oct 30)
- ① **Crédit Agricole** Corporate and Investment Bank integrates Expert System's Cogito® into its PanOptes analysis tool (Sept 20)

MARKET VALIDATION



FORRESTER WAVE

- ✓ Big Data Text Analytics Platforms 2016
- ✓ AI-based Text Analytics Platforms 2018
(Top 8 out of 100+ competitors)

GARTNER

- ✓ Magic Quadrant for Insight Engines 2017 – 2018

FORRESTER

- ✓ Look to Four Use Case Categories To Push RPA and AI Convergence

Gartner® **FORRESTER**®

HY CONSOLIDATED RESULTS

The first semester of 2018 had very good results and shows:

- ⊙ Revenues reached **€12.9m**, compared to €8.4m in 2017 (**+52.4%**)
- ⊙ Positive EBITDA equal to **€0.1m** compared to a negative EBITDA of €4.0m in 2017 (**+€4.1m**); adjusted EBITDA after one-off costs is **€0.6m**
- ⊙ Value of production equal to €15.9m, compared to €11.7m in 2017 (**+€4.2m**)
- ⊙ Negative net result for €3.7m, which includes €3.6m of depreciations, compared to €7.6m in 2017 (**+€3.9m**)
- ⊙ Net financial position for €10.0m with more than €9.4m in cash

FINANCIAL HEADLINES HY 2018 VS HY 2017

Half Year - €/m	HY 2017	HY 2018	Δ
Revenues	8,4	12,9	52,4%
Value of Production	11,7	15,9	35,3%
EBITDA	(4,0)	0,1	101,8%
<i>Margin%</i>	-33,9%	0,4%	
EBIT	(7,3)	(3,6)	51,1%
<i>Margin%</i>	-62,1%	-22,5%	
Net Earning	(7,6)	(3,7)	-50,9%
Net Working Capital	1,4	5,0	3,6
Total Invested Capital	23,5	25,2	1,7
Net Financial Position	13,8	10,0	(3,9)
Total Equity	9,7	15,2	5,6
Investments	(2,5)	(2,4)	0,1
Sales abroad (%)	61%	54%	-7%

Revenue increase of €4.4m mostly transferred to the EBITDA improvement €4.1m: Growing sales with almost flat operating costs. The increase also reflects a better distribution of revenue throughout the year.

Positive EBITDA €0.1m in HY 2018 compared to -4 of HY 2017

Adjusted EBITDA €0.6m considering one-off costs for restructuring of €0.5m

Improved financial position at €10.0m compared to the same period in 2017

VALUE OF PRODUCTION (VOP) BREAKDOWN

VoP +35.3% vs HY 2017, €4.4m higher turnover achieved

License & Maintenance. Commercial focus on major clients and recurring licences. Increase in revenue mainly for Banking & Insurance, Media, Intelligence & Government.

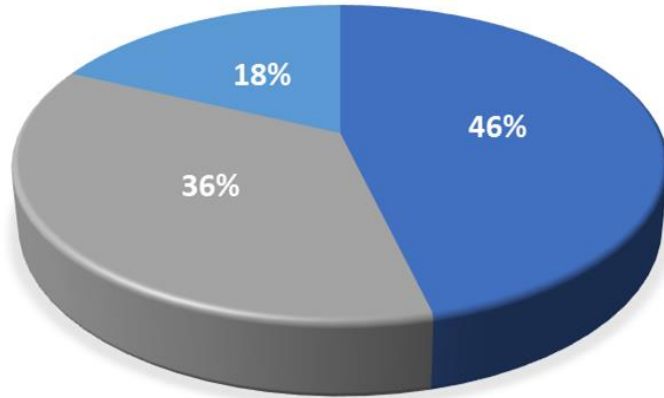
Grants equal to €0.6m, showing an increase that depends on projects won and authorized by Public Entities.

R&D at €2.3m. Stable investments in Cogito and related products.

€m	HY 2017	HY 2018	Δ%
Sales	8,5	12,9	51,5%
Grant	0,4	0,6	32,5%
Capitalised Costs (R&D)	2,5	2,3	-7,3%
Other revenues	0,3	0,1	-66,9%
Value of Production	11,7	15,9	35,3%

REVENUES BY REGION

REVENUES HY 2018



■ Italy ■ EU ■ USA

54% of sales are abroad, 36% in Europe and 18% in USA.

Some growth highlights:

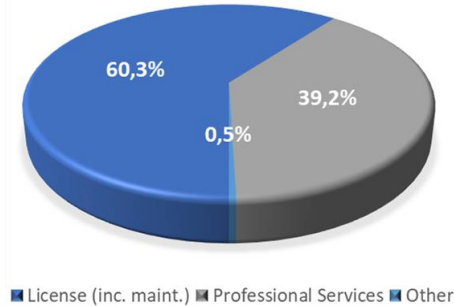
- Italy: **+81%**
- UK: **+434%** reaching **5% of total revenues**
- Spain: **+12%**
- Switzerland: **+186%**

Huge results in Italy due to some important new projects.

Very good results also in foreign markets like UK, Spain and Switzerland.

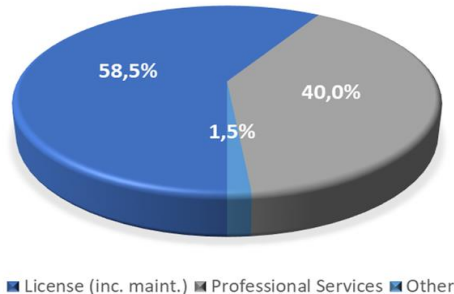
REVENUES BY TYPE HY 2018 VS HY 2017

REVENUES HY 2017



Recurring licenses 33%
Perpetual licenses 67%

REVENUES HY 2018



Recurring licenses 79%
Perpetual licenses 21%

Strategic Sales: The focus is moving more and more to bigger, strategic deals with multinational companies in selected markets.

Annual Licences: The huge shift from perpetual license to recurring, annual fees is accelerating. This is an important indicator that shows that we are pursuing and achieving one of our strategic goals.

Professional services margin: The global PS team has been reorganized during 2017 to better balance the workload in different markets and verticals and to increase its efficiency.

FROM EBITDA TO NET RESULTS HY 2017 VS HY 2018

Half Year - €/m	HY 2017	HY 2018	Δ
EBITDA	(4,0)	0,1	4,1
Amortization of Intangible Assets	(3,2)	(3,5)	(0,4)
Amortization of Tangible Assets	(0,1)	(0,1)	0,0
Depreciation	(0,0)	0,0	0,0
EBIT	(7,3)	(3,6)	3,7
Financial Income/(Expense)	(0,2)	(0,2)	0,0
Exchange Losses unrealized	(1,1)	0,3	1,5
Result before taxes	(8,7)	(3,5)	5,2
Taxes	1,0	(0,3)	(1,3)
Net Result	(7,6)	(3,7)	3,9

Amortization +€0.4m.

Higher amortization for intangible assets connected to investments in R&D.

Financial Costs €0.2m are under control with a low interest rate.

Not realized exchange profit for €0.3m. Mostly referred to €/€ rate mainly due to intercompany exposure.

Taxes refer to the result of the holding company.

FINANCIAL HIGHLIGHTS 2018-2019

Year ended 31 December - €/m	2017	HY 2018	2018	2019
Revenues	25,6	12,9	28,5 - 30	33 - 34,5
Value of Production	32,8	15,9	35,5 - 37	39,8 - 41,3
EBITDA	1,0	0,1	4,0 - 5,0	7,0 - 8,0
	<i>Margin%</i>			
EBIT	3,2%	0,4%	11,3% - 13,5%	17,6% - 19,4%
	<i>Margin%</i>			
Net Earning	(6,5)	(3,6)	(3,7) - (2,7)	(1,1) - (0,1)
	<i>Margin%</i>			
	-19,8%	-22,5%	-10,4% - 7,3%	-2,8% - 0,2%
Net Earning	(8,3)	(3,7)	(4,6) - (3,9)	(2,3) - (1,6)
Net Financial Position	8,8	10,0	13,6 - 12,9	13,0 - 12,0

We confirm the guidelines presented on March 2018; we are confident to achieve our goals considering:

- Actual results of the first semester 2018
- The new and more efficient organizational structure and commercial offer that allows us to leverage existing resources

STRATEGIC GUIDELINES 2018-2019

KEY DIRECTIONS



- ✓ **Grow market penetration** in existing markets with the current offering, in particular in **USA, Germany and France**
- ✓ Scale marketing activities on a **global level**
- ✓ Speed up the creation of the structured **indirect channel**
- ✓ **Productize Cogito solutions** for specific vertical markets (like insurance) for both direct and indirect
- ✓ Target **large multinational customers**, with a strong focus on the finance and insurance sectors
- ✓ **Increase recurring licenses** vs perpetual licenses
- ✓ Leverage the skilled professional service team (mainly based in Italy) to **increase margins and profitability of projects**

THANKS!



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